

are. But I want to point out to you that Chapter 12 came out of Congress, came out of Congress one evening, became law. You have heard a great many persons indicate that they are unhappy with Chapter 12. Let me tell you, very frankly, why the bankers, in some instances, not all, but in some instances do prefer Chapter 12 to the mediation process. Suppose that a borrower has a million dollars worth of obligations and \$600,000 worth of assets, suppose that the bank holds \$400,000 worth of those obligations and the farm credit system holds \$600,000, suppose that there are available only \$400,000 worth of assets, or we'll say \$500,000 worth of assets, the provisions of Chapter 12 require that there has to be a reorganization plan in place which will then allow the farmer to continue to operate, and the debt must be written down. Well, obviously, the bank, because of the escalated price of farm machinery and livestock in recent years, has a more equitable position than does the farm credit system because farm land has taken a more precipitous drop. Also, the bank is in the king pin seat, they can force, they can force the long term lender to take the write off. So if there are only \$500,000 worth of assets, they can, in effect, say you take the entire write off, you take the entire write off and we will get home free. What is the result? The result is that the bank has a good loan, has an operating loan, they have a happy customer, and the farm credit system took the hit. There have been many allegations about improper management in the farm credit system. Ladies and gentlemen, the farm credit system's customers are farmers, pure and simple, totally. There is no diversity of customers. When farming became unprofitable and farm losses were severe every single farmer lost money and the farm credit system's customers were all in deep financial trouble. As a result, the farm credit system lost resources to a greater extent than did the commercial banks who had a variety of customers. Now many of the commercial banks have done a good job and I commend them for it. But, ladies and gentlemen, it makes absolutely no sense to put into place a system where you can negotiate or you don't need to negotiate. We have not found it to be a successful situation. There were a dozen Chapter 12s in my community in the last year or two. I don't think a single one of them went all the way through the Chapter 12 foreclosure process. But, after they got into bankruptcy court, the bankruptcy judge became the mediator. In some instances, there were sufficient assets there to pay off the debts. But, because they couldn't get all of the participants together, the farmer was forced into bankruptcy. Is that what you want? I don't think so, I don't